

Message Text

CONFIDENTIAL

PAGE 01 BONN 10091 01 OF 03 231850Z

43

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 ACDA-05 IO-10

NRC-05 OES-03 FEAE-00 ERDA-05 DODE-00 FPC-01 INT-05

PM-03 SAM-01 /135 W

----- 012478

R 231835Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0926

INFO AMEMBASSY BERLIN

AMEMBASSY TEHRAN

AMEMBASSY MOSCOW

USMISSION NATO BRUSSELS

USMISSION USBERLIN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 10091

E.O. 11652: GDS

TAGS: ETRD, ENRG, EFIN, UR, GW

SUBJECT: FRG-USSR ECONOMIC RELATIONS: RESULTS OF
JOINT ECONOMIC COMMISSION MEETING

REF: A) BONN 9647 , B) MOSCOW 8351

1. BEGIN SUMMARY: ECONOMIC MINISTRY SOURCE WHO
PARTICIPATED IN RECENT JOINT ECONOMIC COMMISSION
MEETINGS EXPRESSED CONSIDERABLE SATISFACTION WITH
THE RESULTS OF THE THREE-DAY SESSION. HE REPORTED
THAT THE MEETINGS WENT VERY SMOOTHLY AND THAT
CONSIDERABLE PROGRESS WAS ACHIEVED IN THE TECHNICAL-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 10091 01 OF 03 231850Z

LEVEL GROUPS. DISCUSSION OF THE IRANIAN GAS

DEAL PROGRESSED QUITE WELL, WITH THE TWO SIDES QUITE CLOSE TO AGREEMENT. THE TRADE IMBALANCE BETWEEN THE TWO COUNTRIES, WHILE AN IMPORTANT TOPIC OF CONVERSATION, DID NOT LEAD TO FRICTION, SINCE THE SOVIETS DID NOT PRESS FOR AN IMMEDIATE SOLUTION. SOVIETS ALSO SEEMED TO ACCEPT FRG UNWILLINGNESS TO FACILITATE GRANTING OF COMMERCIAL CREDITS BY GERMAN BANKS TO THE USSR. ECONOMICS MINISTRY OFFICIALS, AFTER ASSESSING ALL ASPECTS OF THE MEETING DURING THE PAST WEEK, TAKE A CONFIDENT VIEW OF FUTURE ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. GERMAN PRESS, ON THE OTHER HAND, SEEMED DISAPPOINTED THAT THE MEETINGS PRODUCED NO SPECTACULAR RESULTS. THE FEW ARTICLES THAT DID APPEAR PLAYED UP FRG-USSR DIFFERENCES ON THE KALININGRAD NUCLEAR PLANT AND THE TRADE IMBALANCE.

END SUMMARY

2. ECONOMICS MINISTRY SOURCE BRIEFED EMBOFF ON RESULTS OF JUNE 9-11 FRG-USSR JOINT ECONOMIC COMMISSION MEETING AND OFFERED HIS THOUGHTS ON THE GENERAL CONDITION OF GERMAN-SOVIET ECONOMIC RELATIONS. KALININGRAD NUCLEAR POWER PLANT WAS NOT A SUBJECT OF DISCUSSION SINCE THIS MATTER WAS PREVIOUSLY RAISED WITH FRAU STEEG IN ECONOMICS MINISTRY AND REPORTED REF A.

3. A. TRADE IMBALANCE: OUR SOURCE REPORTED THAT THE IMBALANCE HAS GROWN EVEN LARGER THAN REPORTED IN REF B. FIGURES FOR THE FIRST FOUR MONTHS OF 1975 INDICATE THAT FRG EXPORTS INCREASED 61 PERCENT OVER THE SAME PERIOD LAST YEAR WHILE SOVIET EXPORTS INCREASED ONLY 1.3 PERCENT. MOREOVER, A LARGE PORTION OF THE GERMAN EXPORT INCREASE CAME ON THE QUANTITY SIDE RATHER THAN IN PRICES. WHILE THE FRG IS UNDERSTANDABLY NOT ENTHUSED ABOUT REDUCING EXPORTS TO THE USSR, SOVIETS SEEM BESET WITH STRUCTURAL TRADE PROBLEMS THAT INHIBIT EXPORT GROWTH. OUR SOURCE NOTED THAT WHILE 34 PERCENT OF ALL FRG IMPORTS FROM STATE-CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 10091 01 OF 03 231850Z

TRADING NATIONS ARE FINISHED GOODS, ONLY 6 PERCENT OF SOVIET EXPORTS TO GERMANY ARE FINISHED PRODUCTS. SOVIET RAW MATERIAL WEALTH PARTLY EXPLAINS THE LOW PERCENTAGE, BUT ECONMIN OFFICIALS BELIEVE THAT STRUCTURAL PROBLEMS AND POOR PRODUCT QUALITY ARE ALSO FACTORS.

B. SOVIETS DID NOT PRESS FRG FOR QUICK SOLUTION

TO THE IMBALANCE, WITH BOTH SIDES REALIZING
THAT FUTURE SOVIET GAS DELIVERIES, AS WELL AS
DELIVERIES FROM OTHER DEALS, SHOULD IMPROVE
THE SITUATION. THE FRG IS HOPEFUL THAT ADDITIONAL
BUSINESS VENTURES WITH DELIVERY CLAUSES WILL
RETURN THE SITUATION TO NEAR BALANCE IN THE LONG
RUN.

4. BANK CREDITS:
ECONOMICS MINISTRY SOURCE ACKNOWLEDGED THAT SOVIETS
MADE THEIR PERENNIAL REQUEST FOR COMMERCIAL CREDITS
BY FRG BANKS, REMINDING GERMANS OF FORTHCOMING

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 10091 02 OF 03 231853Z

43

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 ACDA-05 IO-10

NRC-05 OES-03 FEAE-00 ERDA-05 DODE-00 FPC-01 INT-05

PM-03 SAM-01 /135 W

----- 012496

R 231835Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0927

INFO AMEMBASSY BERLIN

AMEMBASSY TEHRAN

AMEMBASSY MOSCOW

USMISSION NATO BRUSSELS

USMISSION USBERLIN

USMISSION OECD PARIS

USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 03 BONN 10091

ATTITUDE OF UK AND FRANCE, FOR EXAMPLE, ON THE GRANTING OF COMMERCIAL BANK CREDITS. EMBOFF WAS TOLD THAT FRG IS NOT EASILY MOVED ON THIS QUESTION AND THAT IN ANY CASE THE SOVIETS DON'T NEED THE MONEY NOW. CURRENT FRG POLICY IS TO PROVIDE INSURANCE FOR PRIVATE BANK CREDITS AT COMMERCIAL RATES. NO DEVIATION FROM THIS POLICY IS CONTEMPLATED AT THIS TIME.

5. WORKING GROUPS:

PROGRESS IN THE WORKING GROUPS WAS HIGHLY UNEVEN DUE TO STRONG SOVIET INTEREST IN THE WORK OF SOME GROUPS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 10091 02 OF 03 231853Z

AND FRG INTEREST IN THE ACTIVITIES OF OTHERS. IN GENERAL, HOWEVER, ACTIVITY IN ALL GROUPS WENT SMOOTHLY AND FURTHER INDUSTRIAL COOPERATION BETWEEN THE TWO COUNTRIES APPEARS TO BE IN THE OFFING. OUR SOURCE SINGLED OUT THE MACHINE-TOOL SECTOR, CERAMICS, PAPER AND PULP, WOOD PROCESSING, AND THE RAW MATERIAL SECTORS AS THE BEST PROSPECTS FOR EARLY SUCCESS. GERMANS REITERATED THEIR INTEREST IN YENESY PULP AND PAPER PLANT IN SIBERIA, BUT ACKNOWLEDGED THAT THE INFRASTRUCTURE REQUIREMENTS AND SIZE OF THE PROJECT WOULD MAKE PARTICIPATION BY A GERMAN FIRM DIFFICULT.

6. IRANIAN GAS DEAL:

THE TWO SIDES HAVE NEARLY REACHED AGREEMENT ON THIS PROJECT WITH FINAL DETAILS TO BE WORKED OUT OVER THE NEXT FEW MONTHS. THE FRG HOPES THAT SPECIFIC CONTRACTS CAN BE NEGOTIATED AND SIGNED BY NOVEMBER OF THIS YEAR.

7. FUTURE ECONOMIC RELATIONS:

PREVAILING ATTITUDE AT ECONOMICS MINISTRY IS THAT ECONOMIC CONTACTS BETWEEN THE TWO COUNTRIES ARE NOW READY TO ASSUME A MORE ROUTINE POSTURE. OUR SOURCE CHARACTERIZED THE RELATIONS AS HAVING PASSED THE TAKE-OFF STATE AND ENTERING INTO A PERIOD OF NORMAL INDUSTRIAL AND TRADE RELATIONS. HE EXPECTS MORE CONTACT AT THE TECHNICAL AND WORKING LEVELS IN THE YEAR AHEAD WITH THE WORKING GROUPS AND EXPERT GROUPS CREATED BY THE JOINT COMMISSION PLAYING A LARGE ROLE IN FOSTERING THIS CONTACT. AS NORMAL BUSINESS RELATIONSHIPS DEVELOP, FRG BELIEVES THAT THE NEED FOR FORMAL AND HIGHLY PUBLICIZED MEETINGS SUCH AS THE JOINT COMMISSION SESSIONS WILL DISAPPEAR. WITH THIS PERHAPS IN MIND, THE NEXT JOINT COMMISSION MEETING WILL NOT BE HELD UNTIL THE SECOND QUARTER OF 1976.

8. A. PRESS COMMENTS: GERMAN PRESS SEEMED
DISAPPOINTED THAT MEETINGS PRODUCED NO SPECTACULAR
RESULTS. COVERAGE BY MAJOR WEST GERMAN PAPERS WAS, AS
A RESULT, QUITE SCANTY, AND THE REPORTING WAS LARGELY
FACTUAL. ONE EXCEPTION WAS THE HANDELSBLATT, WHICH
IN CONTRAST TO THE VIEWS EXPRESSED BY ECONOMICS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 10091 02 OF 03 231853Z

MINISTRY OFFICIALS, FELT THAT THE COMMISSION MEETINGS
HAVE LED TO SKEPTICISM IN SOVIET/GERMAN ECONOMIC
RELATIONS. IT ARGUES THAT STAGNATING SOVIET EXPORTS
TO THE FRG AND THE RESULTING TRADE IMBALANCE PORTEND
A SERIOUS PROBLEM SINCE THE FRG IS UNLIKELY TO BE
ATTRACTED OVER THE LONG RUN TO USSR MERCHANDISE OFFERS.
HANDELSBLATT FURTHER ARGUED THAT LACK OF PROGRESS ON
KALININGRAD NUCLEAR PLANT WOULD ALSO JEOPARDIZE
FRG/USSR RELATIONS.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 10091 03 OF 03 231858Z

43

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 ACDA-05 IO-10

NRC-05 OES-03 FEAE-00 ERDA-05 DODE-00 FPC-01 INT-05

PM-03 SAM-01 /135 W

----- 012602

R 231835Z JUN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0928
INFO AMEMBASSY BERLIN
AMEMBASSY TEHRAN
AMEMBASSY MOSCOW
USMISSION NATO BRUSSELS
USMISSION USBERLIN
USMISSION OECD PARIS
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 03 OF 03 BONN 10091

B. DIE WELT TOOK A DIFFERENT TONE, REPORTING
NOVIKOV'S AND FRIDERICH'S STATEMENTS THAT TRADE AND
ECONOMIC COOPERATION BETWEEN THE TWO COUNTRIES ARE
MAKING GOOD PROGRESS. DIE WELT ADDED, HOWEVER, THAT
EXISTING OPPORTUNITIES FOR COOPERATION HAVE
NOT BEEN EXPLOITED TO THE DEGREE POSSIBLE. IT ALSO
SPECULATED THAT NOVIKOV TIED THE FURTHER DEVELOPMENT
OF GERMAN/RUSSIAN TRADE TO THE EXTENSION OF CREDITS.
NOVIKOV IS REPORTED TO HAVE SAID THAT THE USSR WOULD
INCREASE ITS ORDERS FROM GERMAN FIRMS IN EXCHANGE FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 10091 03 OF 03 231858Z

BANK CREDITS OF BETWEEN DM ONE AND TWO BILLION.

C. GENERAL ANZEIGER CARRIED FACTUAL ACCOUNT OF MEETING,
EMPHASIZING FRIDERICH'S STATEMENTS ON THE IMPORTANCE
OF TRADE BETWEEN THE TWO COUNTRIES. NACHRICHTEN FUR
AUSSENHANDEL PROVIDED THE MOST DETAILED ACCOUNT OF
COOPERATIVE PROJECTS DISCUSSED IN THE MEETING.
ACCORDING TO NFA, IT WAS AGREED THAT A GROUP OF
EXPERTS WILL INVESTIGATE POSSIBILITIES FOR THE
PARTICIPATION OF GERMAN FIRMS IN THE WOOD-WORKING
INDUSTRY, THE CELLULOSE AND PAPER INDUSTRY, AND IN
THE ERECTION OF THE WOOD COMBINE NEAR JENNESSEJ.
PROGRESS WAS REPORTEDLY MADE IN THE FIELD OF RAW
MATERIALS COOPERATION, PARTICULARLY IN THE GROUPS
DEALING WITH TITANIUM, LEAD, ZINC AND KAOLIN. FIRMS
IN THE CERAMICS INDUSTRY AGREED TO HOLD COOPERATION
TALKS AT A FUTURE DATE, AND COOPERATION IN THE
MODERNIZATION OF SOVIET LIGHT INDUSTRY AND MACHINE
TOOL INDUSTRY IS BEING SOUGHT.
CASH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SCIENTIFIC COOPERATION, ECONOMIC DEVELOPMENT, TECHNICAL ASSISTANCE, SALES, MEETINGS, NUCLEAR POWER PLANTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN10091
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750218-0046
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750622/aaaaauck.tel
Line Count: 327
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 BONN 9647, 75 MOSCOW 8351
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by ElyME>; APPROVED <17 OCT 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FRG-USSR ECONOMIC RELATIONS: RESULTS OF JOINT ECONOMIC COMMISSION MEETING
TAGS: ETRD, ENRG, EFIN, UR, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006